

The Economy



2004

Between 2000 and 2003, the SCAG region outperformed other large metropolitan regions in job growth but with no improvement in household income.

The Economy

Employment

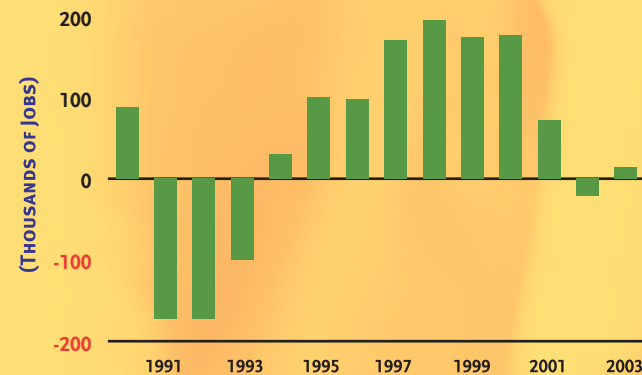
WHY IS THIS IMPORTANT?

The number, types and wage level of employment, in large part, determine our region's economic activities and well-being. For example, income generated through employment accounts for about 75 percent of the total personal income in the region.¹

HOW ARE WE DOING?

In 2003, the regional employment picture showed slight improvements over the previous year (Figure 8). After losing 21,000 jobs (or 0.3 percent) in 2002, total wage and salary jobs in the region increased by 14,000 (0.2 percent) during 2003. While the job losses in 2002 were significantly less than the average annual losses of 150,000 during the recession between 1991 and 1993, job increases in 2003 were also only half of the gain of 30,000 jobs in 1994.

Figure 8
Wage and Salary Employment
(Change from Previous Year)

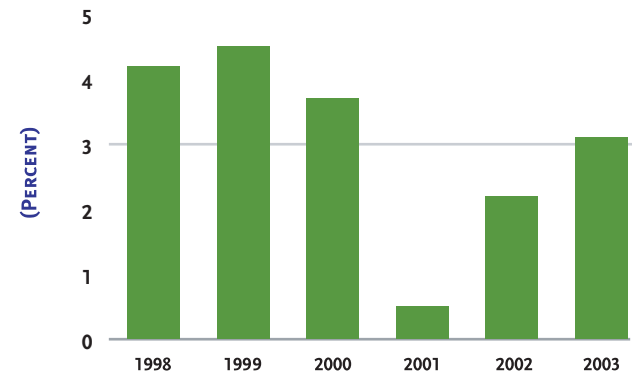


Source: California Employment Development Department



While the region experienced slight job increases since 2001, the rest of the state and the nation continued to suffer job declines. Between 2002 and 2003, the rest of California lost almost 60,000 jobs while the nation lost 410,000 (Figure 9). The continued job losses at the state and national levels in 2002 and 2003 occurred while the national economy has been in an expansion mode since the end of 2001, based on growth of Real Gross Domestic Product (GDP) (Figure 10). After dropping from 3.7 percent in 2000 to 0.5 percent in 2001, real GDP increased by 2.2 percent in 2002 followed by an increase of 3.1 percent in 2003. Increase in real GDP stemmed from turn-around in business investment and sustained growth in consumer spending. Business investment expanded in 2003 after contracting in 2001 and 2002. Consumer spending has continued to increase throughout the recession and recovery. Real consumer spending has increased by more than 3 percent annually since 2001.

Figure 10
Real GDP 1998-2003, U.S.
(Percent Change from Previous Year)



Source: U.S. Bureau of Economic Analysis

Figure 9
Wage and Salary Employment (000)

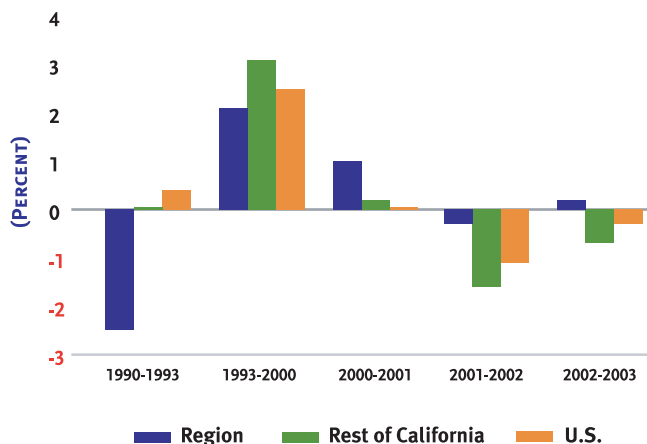
County	1990	2000	2001	2002	2003	2001-2002		2002-2003	
						Number	Percent	Number	Percent
Imperial	44.9	50.4	50.0	50.8	53.0	0.8	1.6	2.2	4.3
Los Angeles	4,142.2	4,079.8	4,082.0	4,034.6	3,998.1	-47.4	-1.2	-36.5	-0.9
Orange	1,179.0	1,396.5	1,420.8	1,411.0	1,432.4	-9.8	-0.7	21.4	1.5
Riverside/San Bernardino	735.2	1,010.1	1,050.7	1,084.0	1,108.1	33.3	3.2	24.1	2.2
Ventura	247.0	294.3	299.0	301.0	304.0	2.0	0.7	3.0	1.0
SCAG Region	6,348.3	6,831.1	6,902.5	6,881.4	6,895.6	-21.1	-0.3	14.2	0.2
Rest of California	6,515.1	8,065.6	8,079.0	7,949.1	7,889.6	-129.9	-1.6	-59.5	-0.7
California	12,863.4	14,896.7	14,981.5	14,830.5	14,785.2	-151.0	-1.0	-45.3	-0.3
U.S.	109,403.0	131,785.0	131,826.0	130,341.0	129,932.0	-1,485.0	-1.1	-409.0	-0.3

Source: California Employment Development Department, Council of Economic Advisers

Several factors contributed to the divergence between healthy increase in real GDP and weak job market at the national and state levels. These include the uncertainty generated by the war in Iraq beginning in March 2003, significant productivity increases, and increased scale of outsourcing. For example, productivity growth in 2002 and 2003 was higher than 4.5 percent in contrast to the below 3 percent level between 1998 and 2001. These factors also affect the pace of job recovery in the region.

The 0.2 percent rate of job growth in the region in 2003 was in contrast to the losses in the rest of the state (-0.7 percent) and the nation (-0.3 percent) (Figure 11). Between 2000 and 2003, Southern California performed better every year in job

Figure 11
Employment Change
(Annual Average)



Source: California Employment Development Department;
Council of Economic Advisers

growth rates relative to the rest of the state, the nation and other large metropolitan regions.

The 2001 recession was centered on the information technology and telecommunication industries. The SCAG region relies much less on these industries than other large metropolitan regions, particularly the San Francisco Bay Area and the Boston region. In sharp contrast to the last recession when defense budget cuts hit the region hardest with its high concentration of defense and aerospace industries, the recent defense budget increase due to the war in Iraq and homeland defense has played a positive role in the region's recovery. Accordingly, between 2000 and 2002, the SCAG region and the Washington, DC region were the only two regions achieving job growth among the nine largest metropolitan regions in the nation (see Figure 72 page 109). During this period, the San Francisco Bay Area lost almost a quarter million jobs (or 6 percent). In addition, the New York region, significantly impacted by the September 11 terrorist attack, also lost more than 200,000 jobs (2 percent) during the two-year period. During 2003, except for the SCAG region and the Washington, DC region, the other seven largest metropolitan regions continued to lose jobs.

Within the region, every county increased its total number of payroll jobs in 2003 except for Los Angeles County. After losing 47,000 jobs (1.2 percent) in 2002, Los Angeles County lost another 37,000 jobs (or 0.9 percent) in 2003 (Figure 9 page 23). Total jobs in Los Angeles County dropped below 4 million in 2003 and were still 140,000 below the level in 1990. Job losses in Los Angeles County were concentrated in the manufacturing, information, and government sectors.

In Orange County, after losing almost 10,000 jobs (or 0.7 percent) in 2002, total payroll jobs increased by 21,000 (or 1.5 percent) in 2003. More than half of the job increases in Orange County occurred in the finance, insurance, and real estate sector. There were also job gains in private education, health services, and professional and business services. Those job gains overcame the county's continuing losses in manufacturing and information sectors.

In 2003, job growth continued in the Inland Empire (Riverside and San Bernardino counties) though at a lower level than in the previous year. The Inland Empire experienced an increase of 24,000 jobs (or 2.2 percent), substantially fewer than the 33,000 job increase (3.2 percent) during the previous period. Nevertheless, the Inland Empire continued to be the leading new-job generator in the region. Job increases in the Inland Empire were concentrated in construction, professional and business services, and retail trade, while the government sector suffered some minor losses.

In Ventura County, total payroll jobs increased by 3,000 (or 1 percent) in 2003. Job growth in private education, health, financial, and the construction sectors more than offset the losses in manufacturing. Finally, Imperial County increased its payroll jobs by 2,200 (or 4.3 percent), the highest rate of job growth within the region. Almost 80 percent of the job increases were in the agricultural sector. Among the non-agricultural sectors, retail trade and transportation and warehousing increased another 500 jobs.

Employment by Sector

WHY IS THIS IMPORTANT?

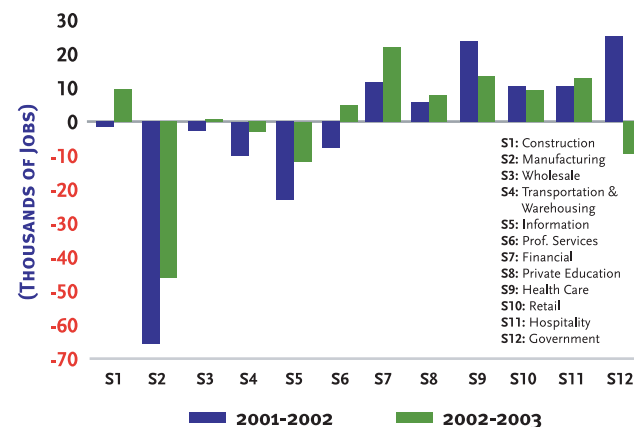
Different economic sectors have different levels of wages as well as future growth potential in employment and

income. Composition of occupations also varies among the different economic sectors. A more diversified regional economy will be less vulnerable to turbulent environments, such as recessions or disasters.

HOW ARE WE DOING?²

In 2003, eight of the region's twelve major economic sectors experienced job increases. Only four sectors suffered job losses: manufacturing, information, transportation, and government. *Except for the government sector, the other three sectors with job losses are all export-oriented (Figure 12).* As discussed below, job losses occurred mostly in the manufacturing sector, with more than 46,000 net job decline.

Figure 12
Employment Change by Selected Sectors
(2001-2003)



Note: Financial = Finance, Insurance and Real Estate
Information Sector includes communications, publishing,
motion picture production and internet service providers.

Source: California Employment Development Department

The information sector was the second major source of job losses, with about 12,000 (or 4.4 percent) in 2003. (This sector incorporates communications, publishing and motion picture production along with internet service providers.) More than two-thirds of the 12,000 jobs lost were in the motion picture and sound recording sector and in telecommunications. The motion picture industry is still undergoing transition to improve its competitiveness through cost reduction.

Among all the major economic sectors, the most significant change occurred in the government sector. In 2002, the government sector was the leading job generator in the region, adding more than 25,000 jobs (or 2.8 percent). However, in 2003, the government sector suffered a loss of almost 10,000 jobs. Losses came almost exclusively from local school districts that reduced their payroll by 13,000 jobs in 2003 due to significant budget shortfalls. At the end of 2003, the State of California had an accumulated debt of over \$22 billion. The on-going structural deficit at the state level may continue to negatively impact the state and local government employment level in the region.³ The federal government actually increased 1,600 jobs in the region in 2003.

In 2003, the sector with the most job gains was the financial sector, including finance, insurance and real estate activities. The financial sector increased 22,000 jobs, almost double its performance in 2002. With mortgage interest rates at a 40-year low, home sales and refinancing activities reached new highs. For example, in 2003, the total number of sales of new and existing homes in the region reached over 270,000, the highest since 1990.⁴ Almost half of the job increase in the financial sector took place in Orange County.

More than 13,000 jobs were added to the health care sector in 2003. Most of the growth was in ambulatory care facilities rather

than hospital employment. Nursing and residential care facilities continued to post solid gains paralleling continued increase in the region's senior population. The hospitality and leisure sector (including food services, hotels, etc) added almost 13,000 jobs to the regional economy in 2003. The increase reflected the continued recovery of the tourism industry, which was severely impacted by the September 11, 2001 terrorist attack.

In 2003, the construction sector added almost 10,000 jobs, rebounding significantly from the small loss of 1,700 during the previous year. Residential construction continued to be the primary driver of gains in construction jobs, with 2003 seeing the greatest number of building permits issued since 1990. Non-residential construction, which typically lags economic recovery, continued to have small job losses. The retail trade sector increased more than 9,000 jobs. It benefited from the expansion of regional auto dealerships aided by low interest rates and manufacturers' incentives. The private education sector benefited to some extent from the budget problems in public education, adding 7,700 jobs in 2003.

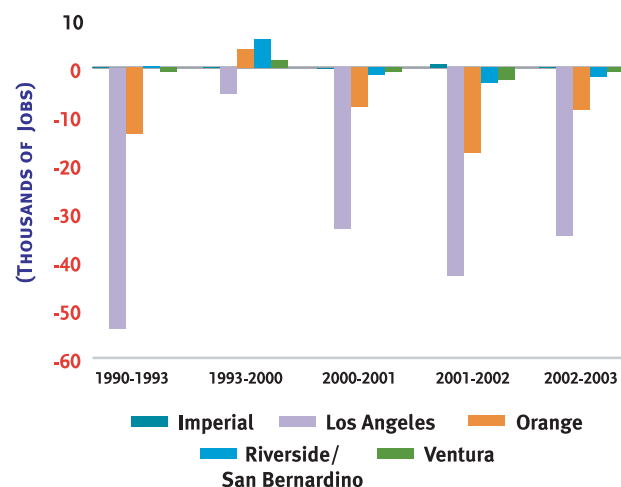
The wholesale trade and transportation and warehousing sectors have particularly strong ties to the region's foreign trade activities. Transportation and warehousing includes truck, rail and air transportation, couriers and messengers, support services for transportation, and warehousing and storage. Together, wholesale trade and transportation and warehousing constitute the logistics industry in the region. Though they did not perform particularly well in the last two years, between 1993 and 2003 these two sectors increased total jobs from 488,000 to 581,000. Due to the projected significant increase in foreign trade, total jobs in these two sectors are estimated to increase another 120,000 over the next 10 years.⁵

MANUFACTURING SECTOR

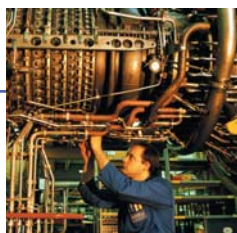
In 2003, the region lost 46,000 (or 5.2 percent) manufacturing jobs, however, declines were much less than the 66,000 job loss (7 percent) in 2002. The manufacturing sector in Southern California lost an average of 60,000 jobs per year between 1991 and 1993 (Figure 13). After some recovery from 1994 to 1998, it began to decline again. In 2003, the rate of manufacturing job losses in the region at 5.2 percent was higher than that of the nation at 4.3 percent. Among the 46,000 manufacturing jobs lost in 2003, 35,000 were in Los Angeles County and almost 9,000 were in Orange County. Losses in both counties were less in 2003 than in 2002.

Within the manufacturing sector, the losses were spread over many more subsectors compared with other metropolitan regions such as the San Francisco Bay Area or the Boston region, both of which have a much higher concentration of high tech manufacturing. In the SCAG region the transportation equipment subsector suffered the highest loss in 2003 but accounted for only 17 percent of the total manufacturing job losses. In addition, the computer and electronic product subsector lost more than 7,300 jobs, and the fabricated metal industry lost 6,400 jobs. Finally, the apparel manufacturing subsector lost 5,100 jobs, mostly in Los Angeles County.

Figure 13
Manufacturing Employment Change
(Annual Average)



Source: California Employment Development Department



Unemployment

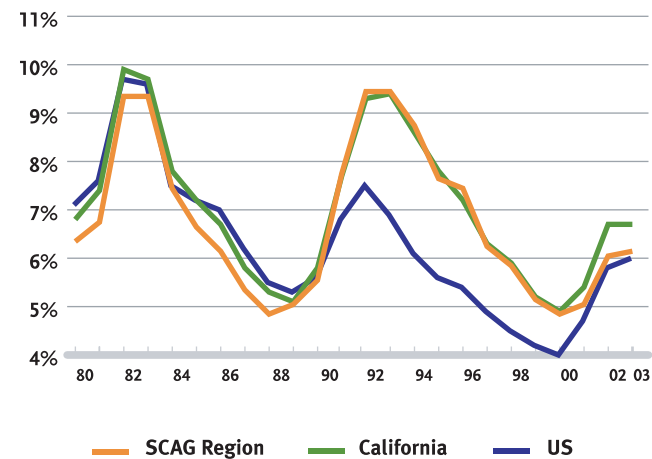
WHY IS THIS IMPORTANT?

Unemployment significantly impacts the economic and social well-being of individuals and families. People with higher unemployment rates will naturally have higher poverty rates. Places with higher unemployment rates would require higher levels of public assistance.

HOW ARE WE DOING?

In 2003, the region's labor force consisted of 8.53 million people, with 8 million employed. The number of unemployed workers reached more than 530,000, an increase from less than 400,000 just three years ago. Accordingly, the unemployment rate in the region was 6.2 percent in 2003, a slight increase of 0.1 percent from the previous year (Figure 14). Unemployment rates at the state and national level also experienced very little changes. The 0.1 percent increase in the region was slightly less than the increase at the national level of 0.2 percent. At the state level, the unemployment rate remained unchanged at 6.7 percent.

Figure 14
Unemployment Rate

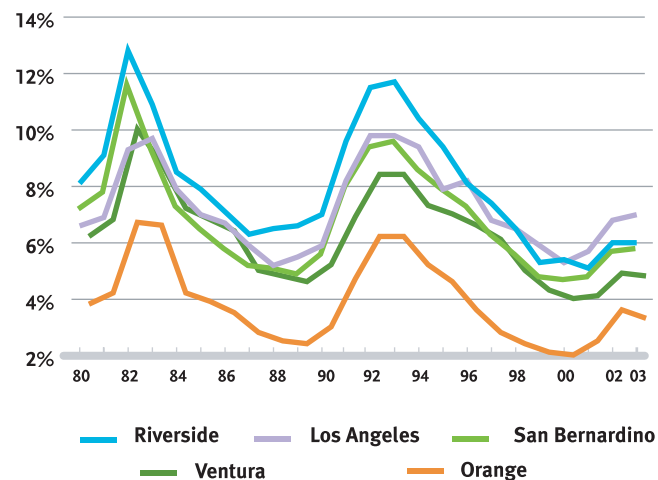


Source: California Employment Development Department

In 2003, the region's unemployment rate was slightly higher than the national average of 6 percent. Since 1992, the gap in unemployment rate between the region and the nation has continuously narrowed. In 2003, the 0.2 percent unemployment rate gap was the smallest since 1990.

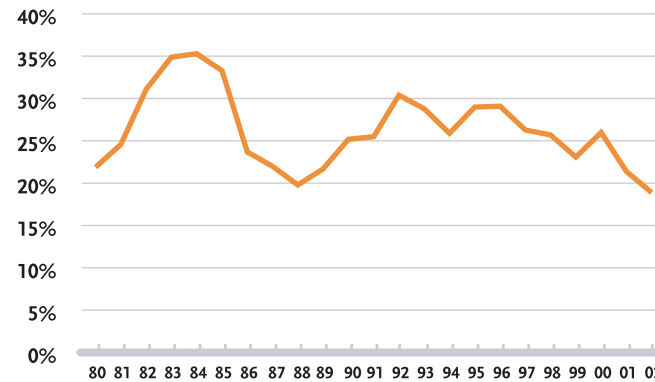
Within the region, Los Angeles, San Bernardino and Imperial counties experienced slight increases in unemployment rates while Orange and Ventura counties experienced slight reductions. The unemployment rate in Riverside County remained unchanged. In 2003, Los Angeles County had the highest unemployment rate (7 percent) in the region followed by Riverside County (6.1 percent). These were also the only two counties with unemployment rates higher than that of the nation. At 3.8 percent, Orange County had the lowest unemployment rate in the region and one of the lowest in the nation. Imperial County has historically experienced much higher unemployment rates than the rest of the SCAG region.

Figure 15
Unemployment Rate by County



Source: California Employment Development Department

Figure 16
Unemployment Rate-Imperial County



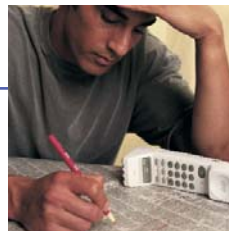
Source: California Employment Development Department

There were significant differences in unemployment rates among racial and ethnic groups. In 2003, based on statewide data, the unemployment rate among African Americans and Hispanics was around 10 percent, while much lower unemployment rates were experienced by Asians (about 6 percent) and non-Hispanic Whites (about 5 percent).

Average Payroll per Job

WHY IS THIS IMPORTANT?

The average payroll per job provides an indication of the overall quality of jobs available in the region. Higher average payroll per job contributes to higher per capita income.



HOW ARE WE DOING?

In 2002, the average payroll per job in the region decreased by 0.7 percent from the previous year after adjusting for inflation, following the decline of 0.3 percent in 2001. Though the 2003 payroll data is still preliminary, sectors with significant job losses in the region, such as manufacturing and information sectors, had significantly higher than average payrolls per job, specifically motion picture (76 percent higher), computer and electronic products (70 percent higher), telecommunications (44 percent higher), transportation equipment (41 percent higher), and local government education (13 percent higher).⁶ Among the subsectors with significant job declines, only apparel manufacturing had a wage level significantly (45 percent) below the overall average.

Among the subsectors with significant jobs increases, a few sectors also had wages higher than the overall average, specifically, financial activities (80 percent higher), and professional services (46 percent higher). However, more sectors had wages lower than the overall average, specifically, educational services (6 percent lower), retail trade (30 percent lower), nursing and residential facilities (40 percent lower), and accommodation and food services (60 percent lower). Hence, average payroll per job in the region was likely to continue to decline slightly in 2003.

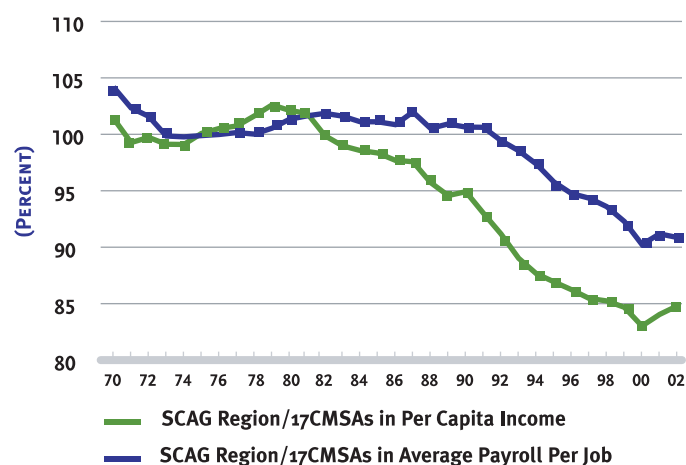
Among the nine largest metropolitan regions in the nation, the SCAG region ranked 5th in the growth of average payroll per job (see Figure 73 page 109). In 2002, the San Francisco Bay Area suffered a sharp decline of 4.7 percent in its average payroll per job, following the 8.6 percent decline the previous year.

In 2002, the SCAG region ranked last in average payroll per job at about \$39,500 among the nine largest metropolitan regions

(see Figure 74 page 110). Despite the 13 percent decline of its average payroll per job from 2000 to 2002, the San Francisco Bay Area continued to have the highest average payroll per job at approximately \$52,000, followed by the New York Region at about \$50,000.

Prior to 1992, the SCAG region maintained an average payroll per job at or above the average of the 17 largest metropolitan regions (Figure 17). Since 1992, the average payroll per job has been declining relative to the average of the 17 largest metropolitan regions. A recent study found that the 12 sectors that have been shrinking since 1990 were largely high paying manufacturing sectors that paid an average of \$45,165 a year. During the same period, the 12 sectors that provided the most job growth averaged only \$33,145 a year.⁷ In 2002, the SCAG region's average payroll per job was 91 percent of the average of the 17 largest metropolitan regions, almost the same as in 2001.

Figure 17
SCAG Region vs. 17 Largest Metropolitan Regions
(Average Payroll Per Job and Per Capita Personal Income)



* Defined as the CMSAs (Consolidated Metropolitan Statistical Areas)
Source: U.S. Bureau of Economic Analysis

Income

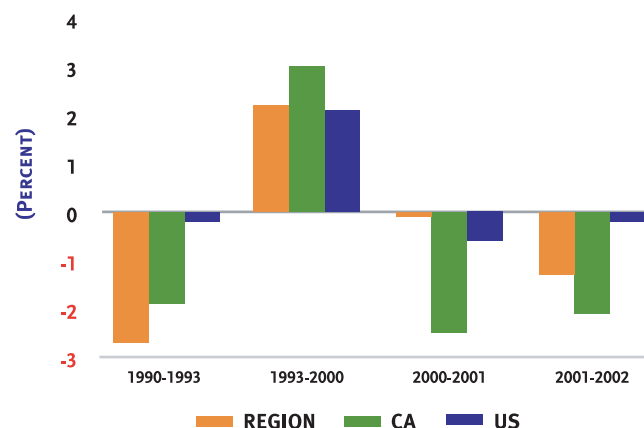
WHY IS THIS IMPORTANT?

Per capita income is one of the most important indicators of economic well-being. An increase in per capita income is generally associated with improving social and economic indicators such as reduced poverty and an increase in educational attainment. A higher income level not only provides more resources for current consumption but also enhances future opportunities. An area's income level also provides an indication of its ability to provide services to its population.

HOW ARE WE DOING?

In 2002 (the most current data available), the region's real personal income per capita (with inflation adjustment) declined by 1.3 percent from 2001 (Figure 18). This decline was larger than the loss of 0.1 percent in 2001. It was also the second time since 1993 that the region suffered an absolute decline in real per capita income. The decline of the real per capita income in the region in 2002 was significantly higher than the 0.2 percent loss in the nation. Nevertheless, the region performed a little better than the average of the nine major metropolitan regions in the nation (-1.8%) and the state average (-2.1%), both of which were impacted by the significantly bad performance of the San Francisco Bay Area with a 4.4 percent loss in real per capita income (see Figure 75 page 110).

Figure 18
Growth of Real Personal Income Per Capita
(Annual Average)

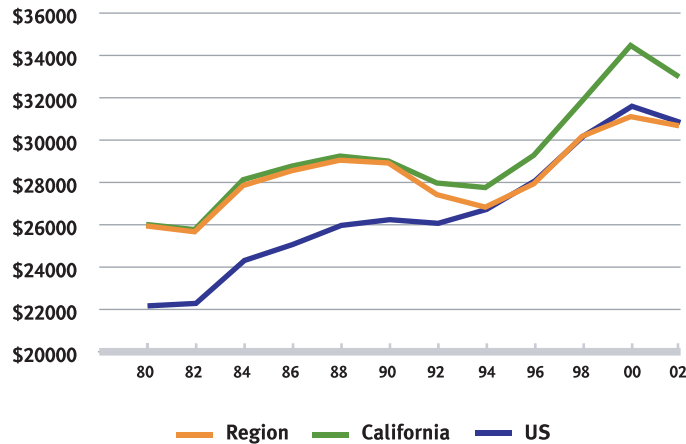


Source: U.S. Bureau of Economic Analysis

In 2003, real personal income per capita for the nation as well as the state stayed almost unchanged from 2002. Official data for real personal income per capita for the region are scheduled to be released in May 2005. Between 2000 and 2002, the region performed better than the state in the growth rates of jobs and in per capita income. In 2003, the region continued to outperform the state as whole in job growth. Hence, estimates by university researchers indicate that in 2003, the region should at least hold its real per capita income at 2002 level, as did the state.⁸



Figure 19
Real Personal Income Per Capita
(2002 Dollars)



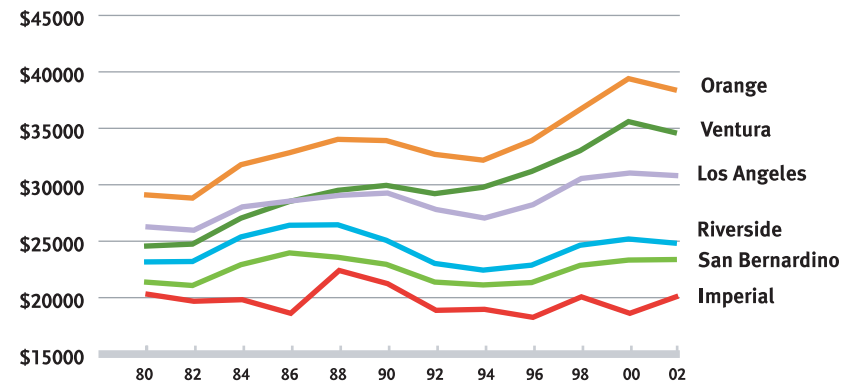
Source: U.S. Bureau of Economic Analysis

Among the 17 largest metropolitan regions in the nation, the SCAG region ranked last in terms of per capita income in 2002 and is expected to remain there in 2003 (see Figure 76 page 111). In 2002, the Miami region overtook the SCAG region in per capita income ranking primarily because of the inclusion of the wealthier Palm Beach County. Over the past three decades, the SCAG region's per capita income ranking dropped from the 4th highest in 1970 to 7th highest in 1990, and 16th place in 2000. Since 1981, the SCAG region's per capita personal income has been below the average of the 17 largest metropolitan regions, and the gap had increased until 2000. *In 2002, per capita personal income in the SCAG region was 85 percent of the average of the 17 largest metropolitan regions, a slight improvement from the previous year (Figure 17).*

Nevertheless, the long-term trend of decline relative to other metropolitan regions may continue to challenge the region, because some of the fundamental factors remain the same. These factors include the continuing loss of high wage manufacturing jobs and the overall lower educational level of the work force in the region.

Within the region, real personal income per capita in 2002 dropped throughout the region except in Imperial County (Figure 20). In 2002, both the real per capita incomes in Imperial and Riverside counties were lower than their respective 1990 levels. Orange County continued to have the highest per capita personal income while Imperial County had the lowest.

Figure 20
Real Personal Income Per Capita by County
(2002 Dollars)



Source: U.S. Bureau of Economic Analysis

HOUSEHOLD INCOME

Real median household incomes (after adjusting for inflation) in the nation and the state remained essentially unchanged in 2003 from 2002.⁹ Household income includes income from all sources for all members of the household. Nationally, real median household income at about \$43,318 in 2003 was almost the same as in 2002. This finding of no change follows two years of decline that reflected the effects of the recession. In California, real median household income in 2003 remained the same as in 2002 at \$48,912, after dropping 1.5 percent (\$725) from 2001.

Between 2002 and 2003 based on national data, real median household income did not change for non-Hispanic White, African American or Asian households. However, it fell 2.6 percent for Hispanic households, from \$33,861 in 2002 to \$32,997 in 2003. The real median household income for immigrant households also fell by 3.5 percent during the same period. This might be due to the concentration of Latinos and immigrant workers in the low-wage manufacturing and service sectors, which were hit hard by the 2001 recession.

Within the region, median household income declined between 1990 and 2000, which was contrary to the national trend.¹⁰ In 2003, median household income in the region was about \$47,707. *Recent Census surveys indicated that the region experienced no growth in median household income between 2000 and 2003* (see Figure 34 page 46). In 2003, the San

Francisco Bay Area continued to have the highest median household income of \$66,038 among the major metropolitan regions.

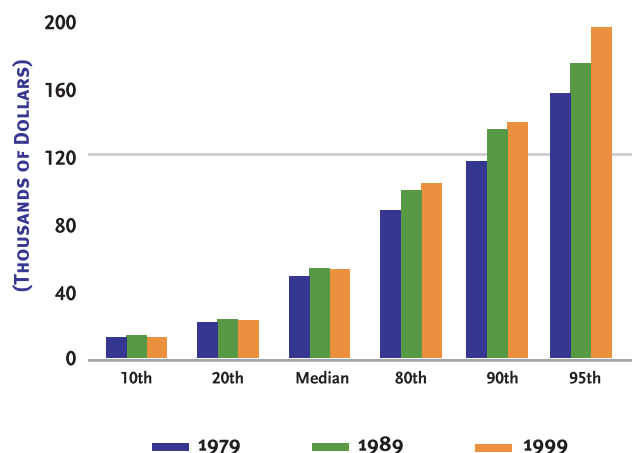
INCOME INEQUALITY

One way to measure income inequality is through the household income ratios among households at different percentiles. For example, the income level for the 10th percentile indicates how the lowest income class fared in a given year. The 10th percentile is the level of income for a given area that only 10 percent of households are beneath. The 80th percentile is the level of income 80 percent of households are beneath.

Between 1979 and 1989, real household income (after adjusting for inflation) in the region increased for all household income percentiles as shown in Figure 21.¹¹ During this period, income inequality as indicated by the household income ratios between the very rich and the very poor (90th/10th) increased slightly from 10 to 10.4 (Figure 22). Household income ratios between the richest and the median (95th/50th) and other comparisons remained almost unchanged. However, between 1989 and 1999, real household income for the 10th, 20th and 50th (median) percentiles declined while the 80th, 90th and 95th percentile continued to increase. Accordingly, income inequality as indicated by household income ratios increased for all comparisons, particularly between the very rich and the very poor. For example, household income ratios between the very rich



Figure 21
Trends in Household Income, SCAG Region
(2003 Dollars)

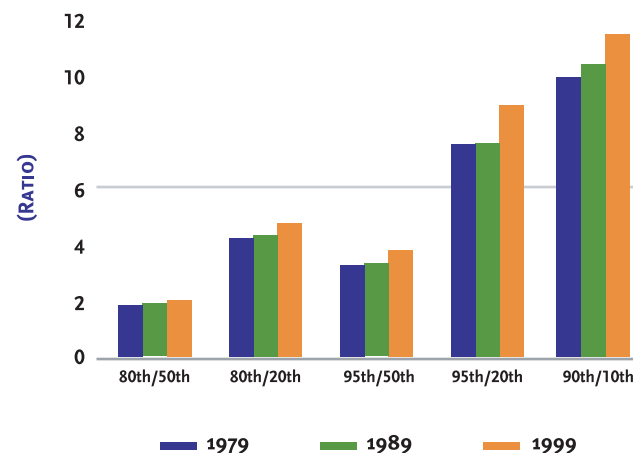


Source: 1980, 1990 and 2000 Census

and the very poor (90th/10th) increased from 10.4 to 11.4 while between the richest and the median (95th/50th) increased from 3.3 to 3.8.

At the national level, income inequality has been increasing steadily since 1969.¹² Specifically, household income ratios for

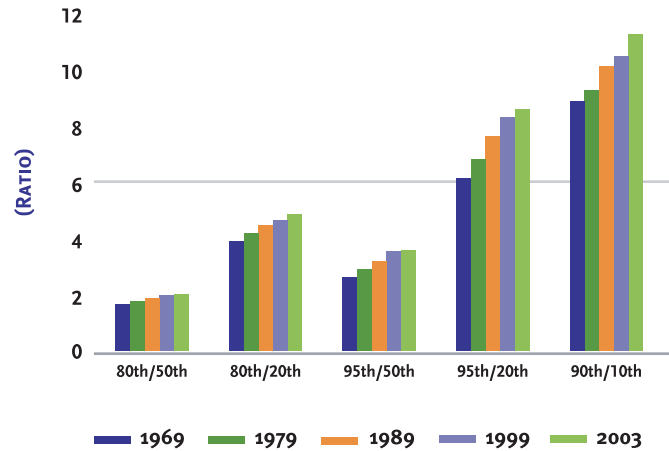
Figure 22
Household Income Ratios, SCAG Region



Source: 1980, 1990 and 2000 Census

all the five pairs of higher and lower income ratios increased in every 10-year period since 1969 (Figure 23). For instance, between 1969 and 2003, household income ratios between the richest and the median (95th/50th) increased from 2.6 to 3.6, while between the very rich and the very poor (90th/10th) it increased from 8.9 to 11.2.

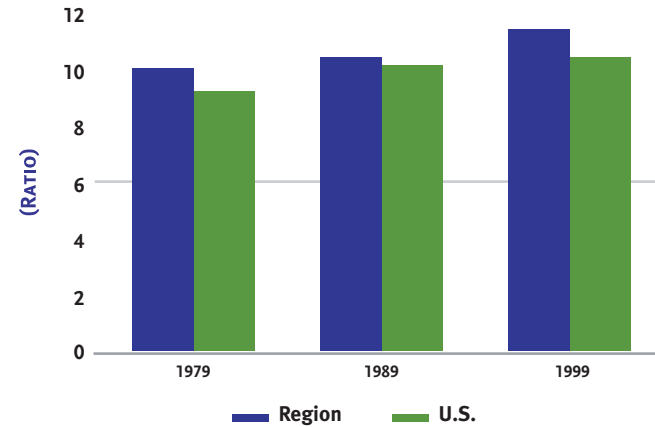
Figure 23
Household Income Ratios, U.S.



Source: U.S. Census Bureau, Current Population Reports

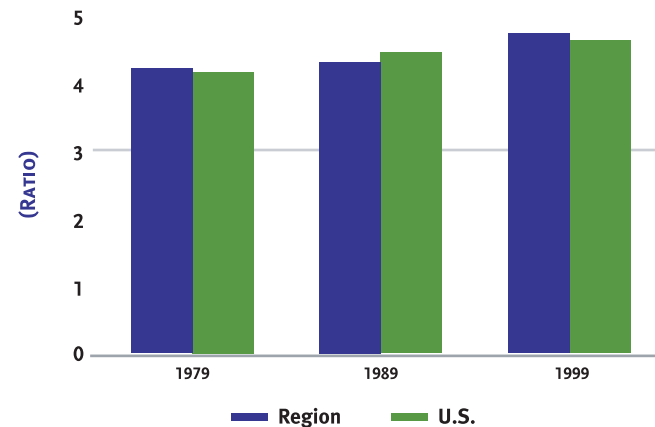
After looking at the income inequality trends at the regional and national levels separately, one can compare the degree of income inequality between the SCAG region and the nation. *Between 1979 and 1999, the region generally had a slightly higher income inequality than the nation when comparing the household income ratios.* For example, during this period, the region generally had slightly higher income ratios between the very rich and the very poor (90th/10th), between the rich and the poor (80th/20th) and between the rich and the median (80th/50th) (Figures 24 to 26). In 1999, the region had higher income ratios than the nation for all five household income ratios.

Figure 24
Household Income Ratios
(90 Percentile/10 Percentile)



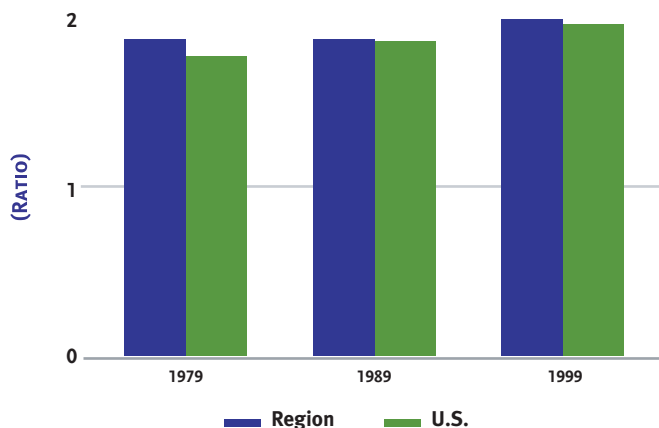
Source: U.S. Census Bureau

Figure 25
Household Income Ratios
(80 Percentile/20 Percentile)



Source: U.S. Census Bureau

Figure 26
Household Income Ratios
(80 Percentile/50 Percentile)



Source: U.S. Census Bureau

Poverty

WHY IS THIS IMPORTANT?

The poverty rate measures the proportion of a population that has an income below the poverty line and therefore lacks the economic resources needed to support a minimum acceptable standard of living. The poverty line is adjusted for family size. Poverty not only results in current economic hardship, but also limits an individual's and family's future development opportunities. A higher poverty rate is both a cause, as well as an outcome, of lower educational attainment and higher unemployment rates. The extent of poverty also reflects the need for various kinds of public assistance.

Poverty among children is of particular concern. Poverty in childhood is associated with a higher risk for dropping out of school, poor health, teenage pregnancy and a long-term economic disadvantage as adults.

HOW ARE WE DOING?

In 2003, a family of four earning less than \$18,810 a year is classified as living in poverty, compared with \$14,810 for a family of three; \$12,321 for a family of two; and \$9,393 for unrelated individuals.¹³ Between 2002 and 2003, poverty rates increased in the nation and the state. Nationally, the poverty rate increased from 12.1 percent in 2002 to 12.5 percent in 2003 for all persons. The poverty rate has been climbing since 2000, when it hit a 26-year low of 11.3 percent. The poverty rate for children also increased from 16.7 percent in 2002 to 17.6 percent in 2003. In California, the poverty rate increased from 13 percent to 13.4 percent between 2002 and 2003.

In the region, close to 15 percent of residents lived in poverty in 2003, continuing to be significantly higher than the state and the nation.¹⁴ This was about a 1 percent increase since two years ago. In addition, more than 20 percent of children under 18 were below the poverty line in 2003, a 1.7 percent increase since 2001. The region continued to have the highest poverty rate among the nine largest metropolitan regions in the nation.

Taxable Sales

WHY IS THIS IMPORTANT?

Taxable sales provide important revenue sources for state and local governments and special districts. While employment and income are measures on the production side, taxable sales measures the level of consumption activities. Taxable sales tend to follow closely with trends in personal income, job market and consumer confidence.

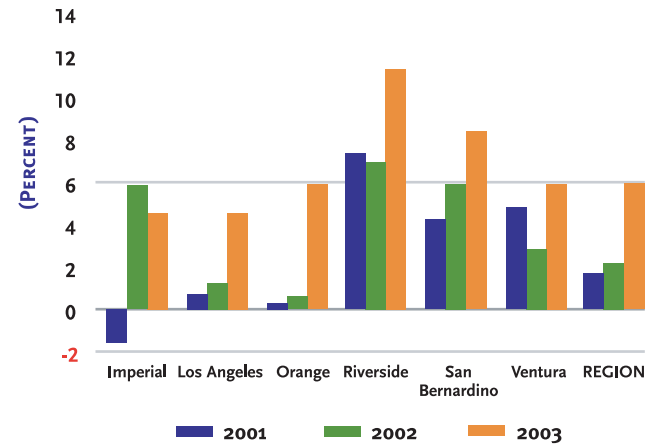
HOW ARE WE DOING?

In 2003, total taxable sales in the region reached over \$217 billion, an increase of \$12 billion (or 6 percent) from 2002 (Figure 27).¹⁵ This was significantly better than the previous two years when total taxable sales increased only about 2 percent per year.

Within the region, Riverside and San Bernardino counties continue to have the highest rates of growth in taxable sales. Except Imperial County, every county achieved significantly higher rates of growth in 2003. For example, after two years of almost no growth, Orange County increased its taxable sales by 6 percent in 2003. Taxable sales in Los Angeles County increased by 4.5 percent in 2003, significantly higher than the 1.2 percent increase in 2002.



Figure 27
Taxable Sales
(Change from Previous Year)



Source: California State Board of Equalization

International Trade

WHY IS THIS IMPORTANT?

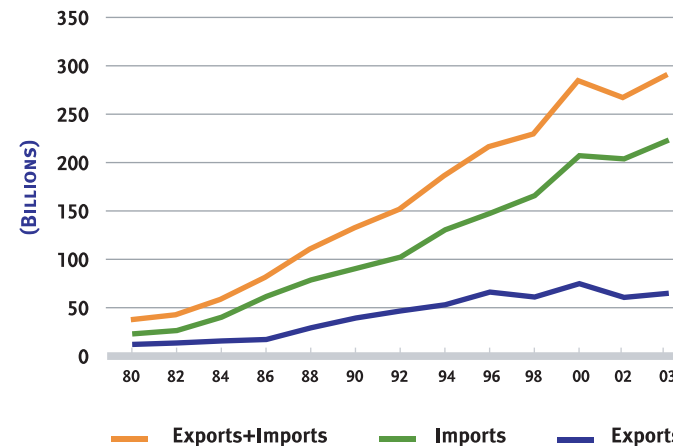
International trade includes export and import activities that create job opportunities and bring income into the region. Though exporting goods produced in Southern California generates higher net economic benefits for the region, imports can create economic benefits too. The region's role as a major transshipment center linking domestic and global markets is also of national and international significance.

HOW ARE WE DOING?

During 2003, total trade through the Los Angeles Customs District (LACD) increased from \$267 billion to \$291 billion, a new record level. This was an improved performance from a \$3 billion decline during the previous year (Figure 28). Most of the increase in trade during 2003 was through imports, though exports also experienced some improvements. Specifically, during 2003, imports increased by almost \$20 billion while exports increased by \$4 billion.

Among the \$291 billion trade through the LACD, 77 percent were imports while the remaining 23 percent were exports. In 2003, among the \$68 billion exports out of the LACD, almost half were by air with the other half by sea. The exports by air are generally smaller and higher value goods. On the other hand, among the \$223 billion imports into the LACD, 86 percent were by sea with the other 14 percent by air.

Figure 28
Exports and Imports - LA Customs District
(Current Dollars)



Source: US Census Bureau

The region's prominence in international trade has been fostered through its large domestic market, global ties through its growing Asian and Hispanic communities, strategic location and excellent trade infrastructure serving the rest of the nation. For example, total trade through the LACD increased from less than \$40 billion in 1980 to \$291 billion in 2003, an increase of more than six times (Figure 28). The region's direct employment in international trade also increased from about 170,000 in 1980 to 475,000 in 2003, which also represents an increase of 31,600 jobs from 2002.¹⁶

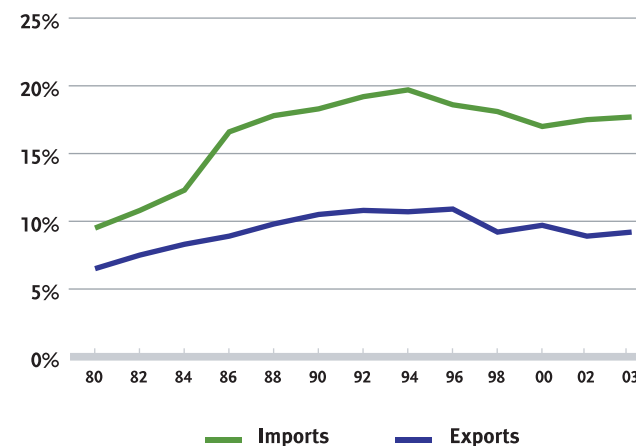
Trade jobs are found in a variety of activities, including vessel operation, cargo handling, surface transportation (truck and rail), trade finance, freight forwarding, custom brokerage, insurance, etc. During the same period, the share of the LACD's trade value of the U.S. total grew from about 8 percent to over 14 percent.

The shares of the LACD's export of the U.S. total have ranged between 9 and 10 percent for the past five years while shares of imports have been between 17 and 18 percent (Figure 29). The share of LACD's trade of the U.S. total has remained around 14.5 percent since 1998.

In 2003, the LACD retained the number one ranking in the U.S. in terms of total trade value, followed by the New York Customs District with \$229 billion total trade value. Detroit remained the nation's number three customs district with \$184 billion of its two-way trade value.

In 2003, the top three export commodities were electrical apparatus, flying devices (planes, aircraft parts, etc.) and electronic machinery. The top three import commodities were electronic machinery, motor vehicles, and magnetic, radio recording and playback devices.

Figure 29
Exports and Imports - LA Customs District
(Percent of U.S.)



Source: US Census Bureau

Asian countries dominated both imports (86 percent) as well as exports (72 percent) through the LACD.¹⁷ In 2003, China continued to be Southern California's leading trade partner, after surpassing Japan in 2002. Total trade value with China through LACD reached over \$68 billion in 2003, more than a five fold increase from \$12 billion in 1993. Other major trade partners included South Korea, Taiwan and Malaysia.

